

MediTeam Dental AB (publ) 556249-4293**Interim report, January-June 2000**

- Sales totalled MSEK 4.4 (MSEK 6.9).
- Operating income after net financial items totalled MSEK –14.5 (MSEK –13.8).
- The number of start kits sold to dentists rose by nearly 60%.
- Sales of Carisolv™ gel to repeat customers are increasing and represent a tripling of the number of treatments over previous years.
- Stock variations and price cuts caused a drop in sales value however, despite increased use.
- International studies demonstrate the benefits of Carisolv™.
- Several new markets readied for launch.

Sales and earnings

Sales during the first half-year totalled MSEK 4.4 (MSEK 6.9), with those in the second quarter notching up MSEK 2.2 (MSEK 3.5). This drop in sales, calculated in Swedish crowns, is an effect of the re-orientation of the MediTeam marketing strategy towards a lower start kit price in order to accelerate expansion in the basic numbers of dentists using Carisolv.

Any comparison with turnover for the first half of 1999, must take into account that the figures include stockpiling by certain distributors as well as products for the preparations for the Japanese market introduction. The company estimates these sales as MSEK 3.0 in total.

The number of start kits (instruments and gel) sold on from distributor to new users rose from around 950 in the first half of 1999 to approximately 1,500 during the equivalent period of 2000. Since the instrument price was reduced, this meant that MediTeam's revenue from instrument sales fell nonetheless from around MSEK 2.1 during the first half of 1999 to MSEK 1.8 during the first half of 2000.

Sales of gel to repeat customers were equivalent, according to the company's calculations, to around 11,000 patient treatments during the first half of 1999, and rose to 33,000 patient treatments during the first half of 2000.

Operating expenses amounted to MSEK 20.8 (MSEK 21.3) and all development costs were capitalised.

Net financial items amounted to MSEK 1.8 (MSEK 0.4). Earnings after financial items amounted to MSEK –14.5 (MSEK –13.8). Earnings for the second quarter amounted to MSEK –7.7 (MSEK –9.3).

Market development

The new share issue worth MSEK 127.5 at the end of March considerably reinforced corporate resources. A number of actions intended to greatly enhance market presence were subsequently initiated. The company expects that this will eventually result in a more rapid international market development.

By the end of the first half of 2000, an estimated total of over 5,000 European and Australian dentists will have purchased a start kit. Of these, the total who ever placed a repeated gel order is put at more than 2,500.

An important pre-condition for dentists offering Carisolv is that this treatment increases their operating profits. On most markets, this is completely feasible although dentists often feel that

they cannot charge more for Carisolv treatments than for conventional drilling. Company experience from a variety of markets shows that patients are willing to pay SEK 200-300 (EUR 25-35) more in order to minimise the use of the drill. Experience also shows that this method is more frequently used by those dentists who make this extra charge to their patients and thus improve profitability. Consequently, MediTeam will develop an information program to increase of knowledge among dentists about this opportunity to achieve greater profitability with Carisolv.

Another vital pre-requisite for more rapid market development, is that patients are told about the possibility of treatment with this new method. Currently, Carisolv is quite unknown among this group, which has most to gain from avoiding the drill, and there is thus no significant demand here. In order to remedy this situation, information will in future be increasingly aimed directly at patients. Measures include a special patient home page (www.carisolv.com) which will be launched in the immediate future.

With the aim of further improving profitability for dentists working with Carisolv, product development is being concentrated on constantly making the method faster and simpler to use. A number of key product improvements will come on line in the next two years.

Sweden

Gel sales to repeat customers have risen sharply. According to company estimates, during spring 2000, the Swedish distributor DAB Dental AB supplied gel for three times as many patient treatments as in the same period of the previous year. Both private and public dental health care show a similar pattern.

Germany

Germany, the world's third largest dental market, is one of MediTeam's top priority areas. In spring 2000, the company established a subsidiary in Düsseldorf to provide market support and facilitate information for distributors, universities, dentists and patients.

Germany's largest dental company, Demedis GmbH, has begun to sell Carisolv. It has around 250 sales staff, who have received training in the method and directly canvass the dentists at the market level. Henry Schein-Dentina GmbH, the German dental distributor within the worldwide Henry Schein Inc. group, will continue to sell Carisolv.

As a result of intensified marketing activities in German, a number of other dental companies have notified their interest in selling Carisolv and in order to achieve greater market canvassing, alternative sales channels have not been ruled out.

Italy

Italy is the world's fifth largest European dental market, with around more than 35,000 active dentists. During the autumn of 1999, the AstraZeneca subsidiary started to launch Carisolv on the Italian market. By the first half of 2000, 870 dentists had purchased start kits. AstraZeneca estimates that more than one hundred are currently regular Carisolv users.

Brazil

Brazil with its around 110,000 active dentists is the fourth largest dental market in the world. Carisolv will be distributed there by Nordic Biotech, with whom MediTeam has signed a three-year agreement. This is a medium-sized, rapidly expanding dental company, well regarded among Brazilian opinion-shapers and universities. A pre-launch through the medium of organised classes and aimed at dental generalists in various parts of the country, is under way. Nordic Biotech intends to launch on a broader base during autumn 2000.

Brazil's high import duties make the product considerably more expensive, for which reason the company is preparing local production.

USA

North America is the largest dental market in the world and there are around 140,000 active dentists in the USA. Approved registration by the FDA can be expected at the earliest towards the end of this year. Discussions relating to the marketing of Carisolv are currently in progress with a number of American dental companies.

Japan

Japan with its 75,000 active dentists is the second largest dental market in the world. Denics, MediTeam's Japanese distributor, has allowed all Japanese universities and leading opinion-makers to test the method and expects to commence a full-scale launch no later than three months after product registration is granted, which is expected in spring 2001.

Other markets

In the United Kingdom, Wright-Cottrell & Co., yet another leading British dental company, will begin to sell Carisolv, in addition to the two existing ones, Dental Directory and the British Henry Schein subsidiary. Wright-Cottrell includes the company that originally launched Carisolv on the British market.

During the spring, preparations were made for a number of future market introductions. Carisolv will be introduced during the autumn on the markets of Russia, Belgium, Israel and Hungary. Distributor agreements are in place with all these markets and product registrations were obtained in the spring, while in Belgium the European CE mark is in force. Contacts with universities and leading clinics have been established for some time.

The distributor Pharmadent is preparing a launch on the French market towards the end of the year. MediTeam is currently negotiating with a number of dental companies about sales on the Spanish market, with a launch planned to start in spring 2001. Efforts involving official registration and the appointment of a distributor are currently being undertaken for the markets in the Middle East, Southeast Asia, Hong Kong, Korea and Taiwan. Medi Team are planning to initiate a launch on certain of these markets in the spring of 2001.

Other market activities

In order to facilitate efficient information to key MediTeam target groups, universities, dentists and patients, a number of new features have successively been launched on Internet and the MediTeam homepage. Spring brought the launch of the MediTeam Scientific Service for university employees, which will comprise an electronic newsletter that offers information on developments in this field. At the beginning of September, course literature for dentistry students will be available on the MediTeam homepage.

The schools of dentistry are an important target group in the continuing market penetration of Carisolv. It takes a long time to alter dentists' working methods. The active commitment by the schools to the training of future dentists is a key feature of this process of change. MediTeam is in frequent communication with the universities and by the second quarter of 2000, some thirty universities in Europe, Australia and South Africa had decided to offer dentistry students training in Carisolv.

MediTeam Times, an electronic newspaper for dentists, started its launch in May and will initially also be offered in a printed version. It provides dentists with information on the

continuing development of Carisolv, tips on how best to use the method and how it can help dentists improve operational profitability. During the autumn, on-line training will also be introduced on the MediTeam homepage.

The need to inform patient groups about the use of Carisolv grows increasingly self-evident. A separate homepage (www.carisolv.com) for the public is scheduled for an autumn launch and is intended to demonstrate the potential of Carisolv and the fact that this is a method that can be used in almost all caries treatments. An obvious method of treatment that the patient has the right to demand.

Research and development

The international launch of Carisolv has provided valuable experience for its continuing market development and all markets show similar reactions. Patients are very satisfied and in general consider it a painless method that does not involve longer treatment times than drilling. They are thus prepared to pay an additional charge for this treatment. The dentists often consider that the method takes a long time, which means extra costs for their clinic, and that working with manual scraping is inconvenient.

Current product development addresses these very viewpoints from the dentists and technical improvements are being tested at a number of places in Sweden and abroad. The method will thus become faster and simpler for the dentists and a number of improvements will be introduced in the next two years.

In the spring, a number of important results of studies of Carisolv were published. Among others, British caries researchers published an article in the British Dental Journal, vol. 188 no, 9, where they concluded that Carisolv was the only effective method for dentine caries which also protects the healthy tissue. Caries Research, 2000;34, published the results of a study at the Gothenburg School of Dentistry, which concluded that the use of Carisolv in treating root caries is a safe and effective method that in practice does not take any longer than drilling.

The list of scientific references is constantly increasing and documents the safety and efficacy of the method as well as its clinical use. This list, which now includes forty-eight journals, can be downloaded from www.mediteam.com, the MediTeam homepage.

MediTeam's liquidity and financial situation

Cash, bank deposits and current investments as at 30-06-2000 totalled MSEK 133.0 (MSEK 8.0). Equity totalled MSEK 142.1 (MSEK 17.4). The equity/assets ratio was 96%.

Miscellaneous

At the end of the period, eighteen people were employed at the company, while a further six have been engaged and will take up their positions in July and August. Investments in shares, machinery and equipment totalled MSEK 1.7 during the period.

During the autumn, Tremedic AB, a company in Western Sweden that specialises in the production of gels and liquids for medical use, will be producing Carisolv gel. It has a lengthy experience of such manufacture for the international market and with effect from next year, will replace Apoteket AB Produktion & Laboratorier (APL) as principal gel supplier.

Citing its desire to increase concentration on products manufactured in house, APL has cancelled its contract with MediTeam, who judge that this change of supplier will not imply more expensive production or any other changes to its ability to supply the market with products.

The AGM, held on April 18, resolved to re-register Medi Team Dentalutveckling i Göteborg AB with the Swedish Companies Registry (PRV) as MediTeam Dental AB, the primary reason for this change of name being that it is better suited to an international context.

The subsidiary MediTeam Dentalutveckling i Göteborg AB, company reg. no. 556585-4393, was established at the beginning of 2000 to protect the new company name of MediTeam Dental AB. The subsidiary does not undertake any operations, has no employees and no assets except liquid funds equivalent to the share capital, which totals MSEK 0.1. Consolidated accounts have not been drawn up, as they would in all essential respects resemble those of the parent company shown below.

The German subsidiary will be registered within the coming months.

INCOME STATEMENT (KSEK)	2000 Second quarter April-June	1999 Second quarter April-June	2000 January-June	1999 January-June	1999 January- December
Net turnover	2,224	3,471	4,389	6,928	11,256
Other income	42	30	84	114	306
Operating expenses	-11,586	- 13,013	-20,811	-21,321	-38,480
Operating income	-9,320	-9,512	-16,338	-14,279	-26,918
Net financial items	1,571	247	1,799	441	589
Profit/loss for the period	-7,749	- 9,265	-14,539	-13,838	- 26,329
BALANCE SHEET (KSEK)			30-06-2000	30-06-1999	31-12-1999
Fixed assets			6,337	5,969	5,456
Current assets					
Other current assets			8,921	7,576	9,297
Cash, bank deposits and current inv.			133,038	7,965	20,070
Total assets			148,296	21,510	34,823
Equity			142,125	17,401	19,160
Convertible subordinated debentures			0	0	10,000
Current liabilities			6,171	4,109	5,663
Total equity and liabilities			148,296	21,510	34,823
KEY RATIOS					
Number of shares at end of period			6,940,649	3,000,000	3,300,000
Average number of shares			5,207,560	3,000,000	3,075,000
Equity/assets ratio, %			95.8	80.9	55.0
Per-share equity, SEK			20.48	5.80	5.81
Earnings per share, SEK			-1.49	-4.61	-8.56
CASH FLOW STATEMENT (KSEK)					
Cash flow from current operations			-12,880	-13,164	-25,082
Cash flow from investment operations			-1,656	-933	-1,161
Cash flow from financial operations			127,504	396	24,646
Change in liquid assets and current investments			112,968	-13,701	-1,597

Dates of financial information

Interim report January-September 2000

October 17, 2000

Sävedalen, August 17, 2000

Claes Holmberg
President & CEO

I have summarily examined this interim report. A summary examination is essentially restricted in relation to an audit. No evidence has emerged that would indicate that the interim report does not meet the stipulations of the Stock Exchange and Annual Accounts Acts.

Gothenburg, August 17, 2000

Anders Wiger
Authorised Public Accountant

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MediTeam Dental AB, headquartered in Gothenburg Sweden, is in the business of bringing the benefits of advanced dental research to the international dental marketplace. MediTeam is currently developing and marketing Carisolv™—a gentle method for the removal of caries that minimizes discomfort for the patient and leaves healthy tissue intact.

www.mediteam.com

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